

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2021 Second Round

September 29, 2021

Pacific Station South, located at 818, 820, 822 Pacific Ave, 325, 329 and Front Street in Santa Cruz, requested and is being recommended for a reservation of \$2,461,353 in annual federal tax credits to finance the new construction of 59 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by FTF Pacific Station and will be located in Senate District 17 and Assembly District 29.

Pacific Station South will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the Local Housing Trust Fund program of HCD.

Project Number CA-21-158

Project Name Pacific Station South
Site Address: 818, 820, 822 Pacific Ave, 325, 329 Front Street
Santa Cruz, CA 95060 County: Santa Cruz
Census Tract: 1010.000

Tax Credit Amounts	Federal/Annual*	State/Total
Requested:	\$2,461,353	\$0
Recommended only if the Committee approves a pending appeal:	\$2,461,353	\$0

* Consolidated Appropriations Act, 2021 (CAA) Federal Credits

Applicant Information

Applicant: Pacific Station South Investors, L.P.
Contact: Jim Rendler
Address: 950 S. Bascom Ave. # 1014
San Jose, CA 95128
Phone: (408)891-8303
Email: jrendler@ftfhousing.com

General Partner(s) / Principal Owner(s): FTF Pacific Station
Pacific Housing, Inc.
General Partner Type: Joint Venture
Parent Company(ies): FTF Pacific Station
Pacific Housing, Inc.
Developer: FTF Pacific Station
Investor/Consultant: Boston Financial
Management Agent(s): FPI Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 70
 No. & % of Tax Credit Units: 69 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / Section 8 Project-based Vouchers (47 units - 68%)

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Central Coast Region
 TCAC Project Analyst: Brett Andersen

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 30% AMI: 20	25%
At or Below 40% AMI: 20	25%
At or Below 50% AMI: 19	25%
At or Below 60% AMI: 10	25%

Unit Mix

10 SRO/Studio Units
20 1-Bedroom Units
19 2-Bedroom Units
21 3-BedroomUnits
70 Total Units

Unit Type & Number	2021 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
2 SRO/Studio	60%	\$1,459
2 SRO/Studio	50%	\$1,216
4 SRO/Studio	40%	\$973
2 SRO/Studio	30%	\$729
2 1 Bedroom	60%	\$1,563
5 1 Bedroom	50%	\$1,303
6 1 Bedroom	40%	\$1,042
7 1 Bedroom	30%	\$781
3 2 Bedrooms	60%	\$1,876
7 2 Bedrooms	50%	\$1,563
2 2 Bedrooms	50%	\$1,563
3 2 Bedrooms	40%	\$1,251
3 2 Bedrooms	30%	\$938
3 3 Bedrooms	60%	\$2,169
3 3 Bedrooms	50%	\$1,807
7 3 Bedrooms	40%	\$1,446
8 3 Bedrooms	30%	\$1,084
1 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,417,125
Construction Costs	\$34,309,461
Rehabilitation Costs	\$0
Construction Contingency	\$2,001,973
Relocation	\$74,000
Architectural/Engineering	\$1,480,250
Const. Interest, Perm. Financing	\$3,157,297
Legal Fees	\$135,000
Reserves	\$399,386
Other Costs	\$2,019,366
Developer Fee	\$2,000,000
Commercial Costs	\$1,904,496
Total	\$48,898,354

Residential

Construction Cost Per Square Foot:	\$652
Per Unit Cost:	\$671,341
True Cash Per Unit Cost*:	\$670,601

Construction Financing

<u>Source</u>	<u>Amount</u>
Pacific Western Bank	\$36,000,000
Housing Trust Silicon Valley	\$5,000,000
HCD Local Housing Trust Fund	\$1,100,000
City of Santa Cruz	\$1,100,000
Costs Deferred During Constructon	\$1,435,635
Tax Credit Equity	\$4,262,719

Permanent Financing

<u>Source</u>	<u>Amount</u>
Pacific Western Bank	\$19,000,000
Housing Trust Silicon Valley	\$5,000,000
HCD- Local Housing Trust Fund	\$1,100,000
City of Santa Cruz	\$1,100,000
Deferred Developer Fee	\$53,910
Tax Credit Equity	\$22,644,444
TOTAL	\$48,898,354

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$21,037,201
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$27,348,361
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,461,353
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,000,000
Investor/Consultant:	Boston Financial
Federal Tax Credit Factor:	\$0.92000

The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Disaster Credit Tie-Breaker Information

First: **No**
Second: **No**
Third: **\$29,654.86**

Significant Information / Additional Conditions

The project has a cost of \$670,601 per unit. The applicant noted the cost is attributed to the project being an infill project, prevailing wages, impact fees, elevators, and type I and III construction types.

Resyndication and Resyndication Transfer Event: None.

Local Reviewing Agency

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a performance deposit and allocation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	10	10	10
General Partner Experience	7	7	7
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ½ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	3	3	3
Within ½ mile of a neighborhood market of at least 5,000 sf	3	3	3
Within 1 mile of a public high school	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
Smoke Free Residence	2	2	2
Total Points	109	109	109

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.